

Why etailers are moving into bricks and mortar

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Following the success of Amazon's first physical bookstore, it is very likely the etail giant will roll out more bricks-and-mortar shops across the US – and in time globally.

Other online pure-plays are also seeking physical premises.

The drive to 'go physical' is an ever-increasing phenomenon as the online retail market becomes more crowded.

And in the last few years, many new players have entered the sector and grabbed significant market share.

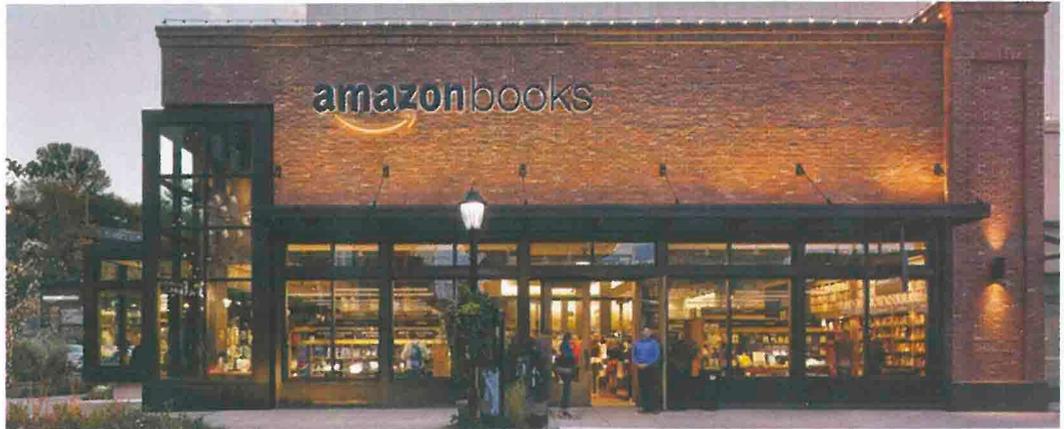
In order to stand out in the face of such competition, online pure-plays should consider investing in limited physical retail networks.

The most successful high street brands are those that have developed their multichannel offer and merged distribution channels, but whose physical stores are still crucial in terms of customer engagement, increasing sales and brand awareness.

Fulfilment woes

A single channel retail offer really is no longer an option.

Click-and-collect is the fastest growing sector of ecommerce and bricks-and-mortar stores still account for the majority of final transactions.



Online giant Amazon opened its first bricks-and-mortar bookshop at Seattle's University Village earlier this year

Click-and-collect gives those traditional bricks-and-mortar retailers that have invested in a transactional website a tremendous advantage over their pure-play peers.

This is best evidenced over Christmas, when pure-play sales drop considerably given shopper reluctance to leave the delivery of important Christmas presents up to the vagaries of the postal network.

This issue has been compacted more recently in the UK, with a reported significant shortfall in lorry drivers needed to

physically deliver online product to shoppers.

This has increased the cost of home delivery to retailers and, as a result, many are having to charge more and are setting minimum order values.

The net effect of this is to make physical shops more attractive to shoppers – and also to retailers that don't have a physical network.

Multichannel plan

Rather than investing in a substantial physical store network, online pure-plays

would do well to emulate international retailers when they enter a new market for the first time.

For example, building flagship stores in key high footfall centres – including concessions in major department stores – drives brand equity.

Pop-ups can be used to test new markets and lines as well as ecommerce fulfilment for the wider market.

This approach would build significant brand equity and interest, and allow for the testing of new concepts, while keeping the cost of operating a physical store network to a minimum.

It also gives the pure-plays access to click-and-collect services that they can fully control; taking the opportunity to upsell other products too.

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